



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS JOINING FORCES FOUNDATION

Financial Audit and Compliance Examination
 For the Two Years Ended June 30, 2018

Release Date: December 11, 2019

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	3	4	2016	18-1, 18-3, 18-4		
Category 2:	2	0	2				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	3	3	6				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- **(18-1)** The Foundation did not maintain adequate documentation and records to facilitate accurate and proper financial reporting. The Foundation also did not maintain adequate control over its bank account and related financial records.
- **(18-2)** The Foundation failed to present adequate financial statements and related note disclosures for Fiscal Year 2017 and Fiscal Year 2018.
- **(18-4)** The Foundation failed to retain documentation and records to substantiate compliance with grant agreements.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures have been excluded due to the adverse opinion on the financial statements.}

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE FINANCIAL REPORTING AND
CONTROLS**

The Illinois Joining Forces Foundation (Foundation) did not maintain adequate documentation and records to facilitate accurate and proper financial reporting. The Foundation also did not maintain adequate control over its bank account and related financial records. During testing, some of the more significant issues we noted included the following:

Liabilities understated

Expenses overstated

**Expenses and revenues
understated**

Adjustments not recorded

Invoice not recorded

- During accounts payable testing, we noted the Foundation failed to record liabilities and expenses in the proper period. As a result, liabilities were understated by \$13,474 and \$19,117 and expenses were overstated by \$17,596 and \$9,070 on the Foundation's June 30, 2017, and June 30, 2018, financial statements, respectively.
- We noted three of the Foundation's vendors agreed to write-down balances owed, totaling \$12,000, during Fiscal Year 2017. The Foundation improperly adjusted its records for these write-downs by reducing its expenses, instead of recognizing implied income, resulting in a \$12,000 understatement of expenses and revenues on its June 30, 2017, financial statements. Similarly, one of the Foundation's vendors agreed to write-down select unpaid invoices totaling \$71,155 during Fiscal Year 2018. The Foundation failed to record this adjustment during Fiscal Year 2018, resulting in a \$71,155 overstatement of liabilities and a \$71,155 understatement of revenue reported on its June 30, 2018, financial statements.
- The June 30, 2018, balance due to another vendor was not confirmed by a confirmation sent to the vendor. The Foundation's records showed a balance of \$24,868, while the vendor indicated an outstanding balance of \$86,447. The difference of \$61,579 is equal to an invoice that was not recorded in the Foundation's accounting records. As a result of this omission, liabilities reported on the June 30, 2018, financial statements are understated. (Finding 1, pages 10-18)

We also noted inadequacies regarding contributions receivable/promises to give, classification of net assets and revenue, inaccurate fixed asset reporting, bank account records and reconciliations, support for disbursements and receipts, and other financial reporting deficiencies.

We recommended the Foundation take immediate action to:

- improve its recordkeeping and controls over recognizing accounts payable and accrued liabilities;
- implement procedures to ensure the relief of debt is properly recognized;
- maintain documentation for all adjustments to accrued liabilities;
- improve its communication efforts with its independent fiscal agent;
- implement procedures to properly account for unconditional promises to give and related receivables;
- maintain documentation to substantiate the classification of transactions as unrestricted or temporarily restricted;
- ensure the specific uses of funds indicated in grant agreements and award letters are documented and adhered to;
- perform periodic reviews of financial information to detect and correct posting and reporting errors;
- ensure bank reconciliations are properly performed, fully documented, and have a documented independent review;
- ensure supporting documentation for disbursements and receipts is maintained;
- develop and consistently apply a methodology for classification of expenses on its Statement of Functional Expenses and in its other financial records; and,
- ensure receipts are deposited timely.

Foundation personnel agree

Foundation personnel accepted the finding, acknowledging the inadequacy and indicating they are in the process of implementing new processes to avoid future findings.

FAILURE TO PRESENT ADEQUATE FINANCIAL STATEMENTS AND NOTES

Required disclosures not made

The Foundation failed to present adequate financial statements and related note disclosures for Fiscal Year 2017 and Fiscal Year 2018. The Foundation did not include all required disclosures in its Notes to the Financial Statements for Fiscal Year 2017 and Fiscal Year 2018. Some of the more significant deficiencies we noted included the following:

Concentration of limited revenue sources not disclosed

- The Foundation did not include a disclosure regarding its vulnerability resulting from its concentration of limited revenue sources. We noted \$500,000 of \$520,791 (96%) of the Foundation's Fiscal Year 2017 revenues came from four identified funding organizations. In addition, \$259,284 of \$285,807 (91%) of the Foundation's Fiscal Year 2018 revenues came from three identified funding organizations.

Related party transactions not disclosed

- The Foundation did not include a related party disclosure. Related party transactions include transactions with entities whose officers or directors are members of the Foundation’s governing Board or transactions directly between the Foundation and one of its Board members. We noted the Foundation’s Board Treasurer is also the Founder and Executive Director of one of the Foundation’s major funding organizations, which contributed \$50,000 and \$75,000 to the Foundation during Fiscal Year 2017 and Fiscal Year 2018, respectively. In addition, a member of the Foundation’s Board of Directors provided a personal loan to the Foundation, totaling \$20,000 during Fiscal Year 2017.

Operating leases not disclosed

- The Foundation did not include a disclosure regarding its operating leases during Fiscal Year 2017 and Fiscal Year 2018. The Foundation leased office space at three different locations throughout Fiscal Year 2017 and Fiscal Year 2018. Rental expense during Fiscal Year 2017 and Fiscal Year 2018 totaled \$31,294 and \$15,365, respectively.

Receivables and promises to pay not disclosed

- The Foundation did not include a detailed disclosure related to its receivables or promises to give. The Foundation recorded four separate receivables during the Fiscal Year 2017 and Fiscal Year 2018 periods. (Finding 2, pages 19-21)

We recommended the Foundation utilize professional tools, such as checklists, to improve the completeness and quality of its financial statements and related note disclosures. Further, we recommended the Foundation develop and consistently apply a methodology for classifying expenses in its Statement of Functional Expenses.

Foundation personnel agree

Foundation personnel accepted the finding, acknowledging the inadequacy and indicating they are in the process of implementing new processes to avoid future findings.

LACK OF DOCUMENTATION TO SUBSTANTIATE COMPLIANCE WITH GRANT AGREEMENTS

The Foundation failed to retain documentation and records to substantiate compliance with grant agreements.

Signed grant agreements could not be provided

We noted the Foundation was unable to provide a signed grant agreement, detailing the provisions regarding the use of funds and any compliance reporting requirements, for nine of 11 (82%) potential grants selected for testing. For the other 2 (18%) grants selected for testing, the Foundation was able to provide a signed grant agreement; however, the Foundation

was unable to provide further documentation to substantiate compliance with the provisions of the grant agreement.

Heavy reliance on grant funds to sustain operations and mission from limited funding organizations

The Foundation is heavily reliant upon grant funds received to continue their operations and mission. During Fiscal Year 2017, the Foundation received a total of \$384,225 in contributed monies. Of these funds, \$275,000 (72%) came from three identified grantors. During Fiscal Year 2018, the Foundation received a total of \$480,262 in contributed monies. Of these funds, \$411,284 (86%) came from four identified grantors. This dependence on a small number of funding organizations makes it imperative the Foundation retain all necessary records and documentation to ensure compliance with grant agreements and to prevent situations where the Foundation may be required to return grant funds to providing organizations due to noncompliance. (Finding 4, pages 26-27)

We recommended the Foundation ensure full records are maintained for each grant received, including the completed application, signed grant agreement, expense records, and any progress reports or other information required to be submitted to the grantor. Further, we recommended the Foundation's management and Board of Directors perform ongoing reviews to ensure all terms and conditions within its grant agreements are complied with by the Foundation.

Foundation personnel agree

Foundation personnel accepted the finding, acknowledging the inadequacy and indicating they are in the process of implementing new processes to avoid future findings.

OTHER FINDINGS

The remaining findings pertain to an inadequate internal control structure, failure to comply with statutory requirements, and procedural deficiencies. We will review the Foundation's progress towards the implementation of our recommendations in our next financial audit and compliance examination.

AUDITOR'S OPINION

The auditors stated the financial statements of the Foundation as of and for the years ended June 30, 2017, and June 30, 2018, are not fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Foundation for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Findings 2018-001 through 2018-004, the accountants stated the Foundation did not comply with the requirements described in the report.

This financial audit and compliance examination was conducted by the Office of the Auditor General's staff.

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JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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